FISCAL NOTE

HB 10 - SB 21

SECOND EXTRAORDINARY SESSION

November 8, 1999

SUMMARY OF BILL: Requires each county property assessor and the chief administrator of each municipality with the assistance of the county to make a report to the Comptroller of the Treasury no later than February 1, 2001 and February 1 each year thereafter on real property tax exemptions. The report shall include a list of each parcel of real property exempted from taxation within the reporting jurisdiction, the identity of the owner of the parcel, a description of the nature and use of the parcel, a citation of the specific provision of law exempting the parcel, the assessed value of the parcel, the amount of revenue denied the local government during the current fiscal year due to each individual exemption, and a cumulative amount of revenue denied the local government. Specifies that a county or city which fails to file the required report would lose 15% of the state-shared revenues it would otherwise receive during the next fiscal year. Non-compliance would be certified by the Comptroller of the Treasury to the Commissioner of Finance and Administration. Requires the Comptroller of the Treasury to submit to the Speakers of the House and Senate and the House and Senate Finance, Ways and Means Committees no later than April 1, 2001 and April 1 of each year thereafter a report summarizing the impact of the real property tax exemptions on the tax base and tax rates of local government. The report shall include an estimate of the indirect costs of such exemptions upon state government and identify and evaluated alternatives by which the local government tax base could be broadened and tax rates reduced.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $50,000
Increase State Revenues - Less than $100,000

Increase Local Govt. Expenditures* - $4,100,000 Non-Recurring
Exceeds $100,000 Recurring
Decrease Local Govt. Revenues - Less than $100,000

Estimate assumes:

- An increase in state expenditures for the costs of the Comptroller of the Treasury for an additional staff person in the Division of Property Assessments to do the required analysis and prepare the report for submission. The annual cost in salary, benefits and equipment is estimated to be $50,000

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- An increase in state revenues and a corresponding decrease in local government revenues due to non-compliance of local governments and the resultant loss of state-shared revenues. The amount of lost state-shared revenues is estimated to be less than $100,000 as it is assumed that local governments will make every effort to comply with the provisions of the act to avoid the penalty.
- An increase in local government expenditures for the initial costs to local governments associated with assessing the value of exempted properties which are not currently assessed. There are currently approximately 82,000 exempt properties in Tennessee. The estimated cost to assess these properties is $50 per parcel including salary and travel expenses. It is estimated the cost to local governments of maintaining this assessment information and preparing the required report will exceed $100,000 annually.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

James A. Davenport, Executive Director